IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF IOWA
CEDAR RAPIDS DIVISION

HIGHWAY EQUIPMENT COMPANY, INC., an Iowa Corporation, Plaintiff, vs. FECO, LTD., an Iowa Corporation; DOYLE EQUIPMENT MANUFACTURING COMPANY, an Illinois Corporation; STAN DUNCALF, an individual, Defendants.	No. C03-0076 **ORDER**

This matter comes before the court pursuant to FECO, Ltd.'s (FECO) April 7, 2005 motion for hearing or oral argument on claim for attorney fees and expenses (docket number 147). The parties have consented to the exercise of jurisdiction by a United States Magistrate Judge pursuant to 28 U.S.C. § 636(c) (docket number 33). For the reasons set forth below, FECO's motion is granted.

PROCEDURAL BACKGROUND

In this case, the plaintiff Highway Equipment Company (HECO), filed suit against the defendants, FECO, Ltd. (FECO), Doyle Equipment Manufacturing Company, and Stan Duncalf for infringement of a United States patent relating to a spreader device for agricultural and road maintenance application, and lawn care.[1] The patent-in-suit is known as the Adjustable Spinner for a Particulate Material Spreader patent, U.S. Patent 6,517,281

[1]Doyle Equipment Manufacturing Company is no longer a party to this lawsuit, having previously reached an out-of-court resolution with HECO.

B1 (the '281 patent). On May 21, 2004, FECO filed a motion for partial summary judgment finding no infringement under literal infringement or under the doctrine of equivalents regarding claims 1, 8, 13, 14, 17 and 20 of the '281 patent (docket number 40). By order dated February 10, 2005, the court denied FECO's motion as to literal infringement of claims 1, 8, and 17, granted FECO's motion as to literal infringement of claims 13, 14, and 20, and granted FECO's motion finding that HECO was estopped from asserting infringement under the doctrine of equivalents as to all asserted claims (docket number 114). HECO then moved for partial summary judgment finding that three FECO devices, (1) the FECO "screw spreader"; (2) the FECO "FLAS-I lever spreader"; and (3) the FECO "rack and pinion spreader," literally infringe claims 1, 8, 13, 14, and 17 of the '281 patent (docket number 70). By order dated February 10, 2005, the court granted in part and denied in part FECO's motion for partial summary judgment concerning literal infringement (docket number 114).

HECO then moved for summary judgment on (1) FECO's counterclaim pursuant to Iowa Code § 322F for HECO's wrongful termination of the dealership agreement between HECO and FECO; and (2) FECO's counterclaim for tortious interference. By orders dated March 22, 2005 the court granted in part and denied in part HECO's motion for summary judgment (docket number 131) and granted HECO's motion for partial summary judgment on FECO's counterclaims pursuant to Iowa Code § 322F and for tortious interference (docket number 132).

Trial was set in this matter for April 11, 2005. Following the March 31, 2005 final pre-trial conference, HECO filed a stipulation and motion for dismissal with prejudice (docket number 140). On April 1, 2005, HECO filed a notice of declaration and covenant not to sue (docket number 141). By order dated April 1, 2005, the court granted HECO's stipulation of dismissal with prejudice as to all of HECO's claims and as to all of FECO's counterclaims. (docket number 142).

FECO'S MOTION FOR FEES AND EXPENSES

FECO filed a motion for hearing or oral argument on its claim for attorney fees and expenses under 35 U.S.C. § 285 on April 7, 2005 (docket number 147). FECO asserts that the court retains subject matter jurisdiction to consider its claim for attorney fees and expenses and that FECO is a prevailing party for purposes of considering an award. Specifically, FECO argues that the court's February 10, 2005 order granting summary judgment of non-infringement on six of the nine theories asserted, and HECO's April 1, 2005 "Declaration and Covenant Not to Sue" makes FECO a "prevailing party" under 35 U.S.C. § 285. FECO further argues that HECO's filing of its covenant not to sue did not deprive this court of jurisdiction to consider the ancillary issue of whether this case is "exceptional" and therefore award its fees.

HECO responds that the court may not consider FECO's claim for attorney fees and expenses because "FECO's attorney fee request exists only as part of the prayer for relief in FECO's now irrelevant counterclaims," and accordingly, "[c]ommon sense would dictate that FECO's generic claim for attorney fees became irrelevant along with the claims in which it was embedded and on which it depended." Specifically, HECO argues that because its covenant not to sue had the effect of depriving the court of subject matter jurisdiction to hear FECO's declaratory judgment counterclaims seeking rulings of non-infringement, invalidity and unenforceability, the court has no basis upon which to consider FECO's claim for attorney fees and expenses. HECO contends that 35 U.S.C. § 285 is simply a fee shifting statute, not a rule of substantive patent law, and accordingly, § 285 may not serve as an independent cause of action for purposes of establishing subject matter jurisdiction to hear FECO's motion for attorney fees and expenses.

HECO further argues that, even assuming that the court has subject matter jurisdiction to consider FECO's claim for attorney fees and expenses, the court has no authority to do so because FECO is not a "prevailing party" under 35 U.S.C. § 285. Specifically, HECO argues that although FECO has achieved many if not all of its desired results, those results came about due to HECO's voluntary change of position, not due to

FECO achieving some relief on the merits. HECO asserts that the "court has not awarded FECO relief on the merits of FECO's claims that in any way altered the legal relationship between [HECO] and [FECO]," which is a necessary prerequisite to a finding that FECO is a prevailing party for purposes of 35 U.S.C. § 285. FECO, argues HECO, cannot appropriately be deemed a prevailing party "merely because" HECO dismissed its infringement claim with prejudice before trial.

SUBJECT MATTER JURISDICTION

Fed. R. Civ. P. 41(a)(2) provides, in relevant part:

> [A]n action shall not be dismissed at the plaintiff's instance save upon order of the court and upon such terms and conditions as the court deems proper. . . .

Fed. R. Civ. P. 41(a)2) applies only when, as here, an entire action is being dismissed, and not when less than all claims in an action are dismissed. See Gronholz v. Sears, Roebuck and Co., 836 F.2d 515, 518 (Fed. Cir. 1987).

The court is satisfied that it retains subject matter jurisdiction to consider FECO's claim for attorney fees and expenses. The court finds that the cases cited by HECO in support of the proposition that the court no longer retains subject matter jurisdiction to hear FECO's claim for attorney fees and expenses are distinguishable from this case in two significant ways. First, many of the cases cited by HECO[2] answer only the question of

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[2] The court notes that several of the cases cited by HECO concern the issue of subject matter jurisdiction but are not patent cases. See Hudson v. Principi, 260 F.3d 1357 (Fed. Cir. 2001) (concerning whether the district court correctly dismissed the plaintiff's application for an award of attorney fees and expenses pursuant to the Equal Access to Justice Act); W.G. v. Senatore, 18 F.3d 60 (2d Cir. 1994) (concerning viability of claim for attorney fees and costs following dismissal of the plaintiff's Individual with Disabilities Education Act action for lack of subject matter jurisdiction); In re Knight, 207 F.3d 1115 (9th Cir. 2000) (holding that if the court lacks subject-matter jurisdiction to hear the plaintiff's ERISA claim, it also lacks jurisdiction to award costs and attorney fees pursuant to ERISA's fee-shifting provision); Carter v. Health Net of California, Inc., 374 F.3d 830 (9th Cir. 2004) (holding that the plaintiff's claim for attorney fees could not create federal

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whether a defendant's declaratory judgment claim or counter-claim survives dismissal following the filing of a covenant not to sue. See Supersack Mfg. Corp. v. Chase Packaging Corp., 57 F.3d 1054 (Fed. Cir. 1995); Amana Refrigeration, Inc. v. Quadlux, Inc., 172 F.3d 852 (Fed. Cir. 1999); In re Columbia University Patent Litigation, 343 F. Supp. 2d 35 (D. Mass. 2004); Intellectual Property Development, Inc. v. TCI Cablevision of California, Inc., 248 F.3d 1333 (Fed. Cir. 2001).

A review of the cases cited by both HECO and FECO make clear, and FECO concedes as much, that the covenant not to sue "serves as a complete resolution of the substantive patent infringement claims." However, the cases cited by HECO do not address the separate issue of whether a claim for attorney fees survives dismissal of the action following the filing of a covenant not to sue. In fact, several of the cases relied on by HECO in support of the proposition that the court does not have subject matter jurisdiction to consider FECO's claim for attorney fees and expenses warrant discussion. First, the court notes that while in SL Waber, Inc. v. American Power Conservation Corp., the district court refused to consider the defendant's claim for attorney fees under facts similar, albeit not identical, to this case, the court did so, at least in part, on a basis that is inapplicable to this case. SL Waber, Inc. dealt with two patents, and the plaintiff's covenant not to sue applied to only one of the patents, leaving several claims pending in regard to the remaining patent. The SL Waber, Inc. court specifically noted that the plaintiff's motion to dismiss was not governed by Fed. R. Civ. P. 41(a)(2) because the plaintiff was not dismissing all of the claims that it had asserted in the action. Accordingly, the court held, Fed. R. Civ. P. 41(a)(2) "provide[d] no basis upon which to award attorneys' fees to [the defendant] in this case." In contrast, HECO has dismissed

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[2](…continued)
subject matter jurisdiction when lack of federal question and lack of diversity of citizenship precluded subject matter jurisdiction for the plaintiff's underlying claim). Such cases are not entirely irrelevant to the issue of subject matter jurisdiction, however, the court is more heavily persuaded by the cases cited which concern rules of subject matter jurisdiction applied in patent cases.

all of its claims against FECO concerning the only patent at issue in this case, the '281 patent. The court finds that SL Waber is distinguishable.

Second, the court notes that Inland Steel Co. v. LTV Steel Co., 364 F.3d 1318 (Fed. Cir. 2004) was decided based on the issue of whether the defendant was a prevailing party. The court, in Inland Steel Co., did not specifically address the issue of whether the court retained subject matter jurisdiction to hear the defendant's claim for attorney fees after all of the claims and counter-claims had been dismissed, but stated "we are satisfied that we have jurisdiction," and then went on to reach the issue of whether the defendant was a prevailing party. The court notes that in Aventis Cropscience, N.V. v. Pioneer Hi-Bred Intern., Inc., 294 F. Supp. 2d 739 (M.D.N.C. 2003), the court held only that extensive additional discovery was not warranted for the defendant's claim for attorney fees. Finally, the court notes that in the case of Sony Electronics, Inc. v. Soundview Technologies, Inc., 359 F. Supp. 2d 173 (D. Conn. 2005), the court found that it did not have subject matter jurisdiction to hear neither the defendant's inequitable conduct counterclaims nor the defendant's motion for attorney fees following the court's entry of partial final judgment pursuant to Fed. R. Civ. P. 54(b) and further following the affirmance of the finding of non-infringement. This is not the situation in this case, and accordingly, the court finds that Sony Electronics is distinguishable.

On the other hand, the cases cited by FECO indicate that the court retains discretionary jurisdiction to consider FECO's claim for attorney fees. See Knauf Fiber Glass, GmbH v. Certaineed Corp., 2004 WL 771257 (S.D. Ind. 2004) (rejecting plaintiff's argument that its voluntary dismissal and unconditional declaration not to sue, filed while summary judgment motions were pending, divested the court of jurisdiction to consider defendant's counterclaim for coercive relief in the form of attorney fees and costs under § 285); H.R. Technologies, Inc. v. Astechnologies, Inc., 275 F.3d 1378 (Fed. Cir. 2002) (finding legal error on the district court's part in dismissing defendant's counterclaim for § 285 attorney fees following dismissal of plaintiff's patent claim without prejudice); Technimark, Inc. v. Crellin, Inc., 14 F. Supp.2d 762, 766 (M.D.N.C.) (retaining

jurisdiction over defendants' § 285 request for attorney fees following plaintiff's dedication of its patent to the public); Imagineering, Inc. v. Van Klassens, Inc., 53 F.3d 1260, 1262-63 (Fed. Cir. 1995) (noting that a "claim arising under patent law remained in the case," i.e., defendant's claim for § 285 attorney fees, despite plaintiff's decision to drop its design patent infringement claim and admission of invalidity); Cambridge Prods, Ltd. v. Penn Nutrients, Inc., 962 F.2d 1048, 1049-50 (Fed. Cir. 1992) (affirming district court's denial of § 285 fees, which were considered and denied following plaintiff voluntarily dismissed patent infringement claim two weeks prior to trial); The Huey Co., Inc. v. Alvin and Co., Inc., 224 U.S.P.Q. 1071 (D. Conn. 1984) ("Although the disclaimer of the patent robs the court of jurisdiction to determine the patent's validity, the court retains jurisdiction to determine whether attorney fees should be awarded under 35 U.S.C. § 285."); W.L. Gore & Assoc., Inc. v. Oak Materials Group, Inc., 424 F. Supp. 700 (D. Del. 1976) (considering, although ultimately rejecting defendant's motion for § 285 fees following plaintiff's formal disclaimer of all claims of the subject patent in the Patent Office, noting that several courts have indicated that § 285 may be applied to cases which are dismissed under Rule 41(a)(2)); Bioxy, Inc. v. Birko Corp., 935 F. Supp. 737 (E.D. N.C. 1996) (considering defendant's request for fees, but deciding an award would be inappropriate under the facts of the case).

The court finds it has jurisdiction to hear FECO's motion for attorney fees pursuant to 35 U.S.C. § 285.

Prevailing Party

35 U.S.C. § 285 provides:

> The court in exceptional circumstances my award reasonable attorney fees to the prevailing party.

The court finds that FECO is a prevailing party for purposes of considering its request for attorney fees and costs. Specifically, the court finds that the cases cited by HECO in support of its contention that FECO is not a prevailing party are distinguishable

from this case.[3] In contrast, the cases cited by FECO support its argument. See Bioxy, Inc., 935 F. Supp. at 744 ("The defendants, having obtained from plaintiff a voluntary dismissal with prejudice, are considered prevailing parties."); Western Food Equip. Co. v. Foss America, Inc., 205 U.S.P.Q. 835 (D. Ore. 1980) ("The fact that the [patent infringement] claim was not tried does not automatically render attorney fees inapplicable."); Hoffman-La Roche Inc. v. Invamed Inc., 213 F.3d 1359 (Fed. Cir. 2000) (affirming district court's rejection, after consideration, of defendant's motion for fees following settlement of patent infringement case which included plaintiff's dismissal of its complaint); Brassler, U.S.A. I, L.P. v. Stryker Sales Corp., 267 F.3d 1370 (Fed. Cir. 2001) (affirming district court's award of § 285 fees to defendant following adjudication of invalidity based on a on-sale bar defense pursuant to defendant's summary judgment motion); Telegen Communications Corp. v. Weinberger, 48 U.S.P.Q. 1833 (N.D. Cal. 1998) ("Where, as here, a defendant has been put to the expense of making an appearance and of obtaining an order for the clarification of the complaint, and the plaintiff then voluntarily dismisses without amending his pleading, the party sued is the prevailing party within the spirit and intent of the statute even though he may, at the whim of the plaintiff, again be sued for the same cause of action."); Gilbreth Int'l Corp. v. Lionel Leisure, Inc., 587 F. Supp. 605 (E.D. Pa. 1983) (granting plaintiff's Rule 41(a)(2) motion to dismiss

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[3] The court notes that while the case of Buckhannon Bd. and Care Home, Inc. v. West Virginia Dept. of Health and Human Resources, 532 U.S. 598 (2001) held that the fee-shifting provisions of the Fair Housing Amendment Acts and the Americans with Disabilities Act required a party to secure either a judgment on the merits or court-ordered consent decree in order to qualify as a prevailing party, the case is not entirely instructive as it is not a patent case, and there are several patent cases cited by both HECO and FECO which the court finds to be more persuasive on the issue of whether FECO is a prevailing party. Likewise, Brickwood Contractors, Inc. v. U.S., 288 F.3d 1371 (Fed. Cir. 2002); Vaughn v. Principi, 336 F.3d 1361 (Fed. Cir. 2003); and Former Employees of Motorola Ceramic Products v. U.S., 336 F.3d 1360 (Fed. Cir. 2003) were decided in the context of the Equal Access to Justice Act and are factually distinguishable from this case. Finally, Chambers v. Time Warner, Inc., 279 F. Supp. 2d 362 (S.D.N.Y. 2003), was decided in the context of the Copyright Act and is also factually distinguishable from this case.

following reissue litigation before the United States Court of Customs and Patent Appeals, upon the condition that plaintiff pay to defendants all reasonable attorney fees and costs incurred in connection with this litigation).

In this case, the court granted FECO's motion for summary judgment, finding non-infringement as a matter of law, on several of HECO's claims. Coupled with HECO's declaration and covenant not to sue, filed two weeks before trial and after significant discovery and preparation, the court finds that FECO is a prevailing party for purposes of 35 U.S. § 285.

Upon the foregoing,

IT IS ORDERED that FECO's April 7, 2005 motion for hearing or oral argument on claim for attorney fees and expenses (docket number 147) is granted.

April 22, 2005.

JOHN A. JARVEY
Magistrate Judge
UNITED STATES DISTRICT COURT